

## FISCAL NOTE

### HB 1547 - SB 1806

March 27, 2001

#### SUMMARY OF BILL:

- Decreases the state sales tax rate on grocery food as follows:

<u>Effective Date</u>	<u>Rate Reduction</u>
July 1, 2001	From 6% to 5%
July 1, 2002	From 5% to 4%
July 1, 2003	From 4% to 3%
July 1, 2004	From 3% to 2%
July 1, 2005	From 2% to 1%
July 1, 2006	From 1% to 0%

- Earmarks funds received by the state, subsequent to FY00-01, pursuant to the Tobacco Master Settlement Agreement to replace revenue lost from the sales tax exemption on food provisions of this bill. Any funds remaining after the revenue loss is covered would be allocated 50% to the Agricultural Reserve Account and 50% to the Health Reserve Account, which exists under current law, TCA 9-4-5501.

#### ESTIMATED FISCAL IMPACT:

**Decrease State Revenues - \$75,000,000 FY 01-02**  
**\$154,500,000 FY 02-03**  
**\$231,750,000 FY 03-04**  
**\$318,270,000 FY 04-05**  
**\$409,772,625 FY 05-06**  
**\$506,478,965 FY 06-07**

**Other Fiscal Impact - Earmarks funds received by the state from the Tobacco Master Settlement Agreement to replace revenues lost by decreasing the state sales tax on food. For informational purposes, estimated revenues from the Tobacco Settlement are as follows:**

**CY2001 \$168,999,300**  
**CY2002 \$200,918,800**  
**CY2003 \$204,839,160**  
**CY2004 \$170,960,249**  
**CY2005 \$170,960,249**  
**CY2006 \$170,960,249**  
**CY2007 \$170,960,249**  
**CY2008 \$174,353,092**

Estimate assumes:

- The state revenue generated from the state sales tax on food at a rate of 6% is approximately \$450,000,000 for FY01-02.
- A growth rate in food purchases of 3% annually.
- Estimate on revenue received pursuant to the Master Settlement Agreement was obtained from the Comptroller's Office.

#### CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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